



Prudential
Bring Your Challenges®

TURNING EMPLOYEES INTO LIFETIME SAVERS

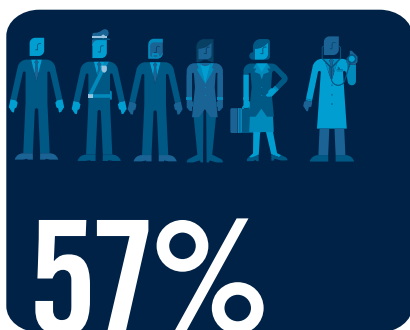
Key Insights

A new program of research from Prudential on Americans' motivation to take meaningful action toward retirement planning reveals how proven principles from behavioral motivation, which explain complex emotional reactions to retirement, subsequently assist people to deepen their commitment to save for their future. Building on these principles, Prudential is introducing the Lifetime Saver Commitment Profile to assess engagement and motivation for retirement savings, opening up exciting opportunities for more effective tools, products, and programs. The outcome? Arming employers with an insightful way to understand their employees' needs and drive their employees' ability to take action on what they already view as important – their retirement future. Based on this work, Prudential is in the process of developing a suite of solutions to support clients in building greater participation, savings and satisfaction in their employees.

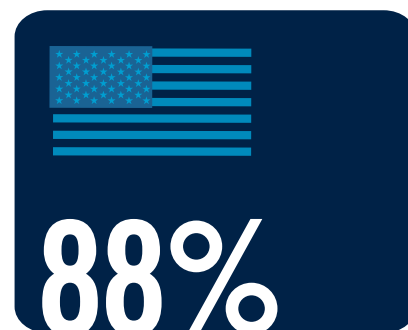
A gap between beliefs and actions

As 10,000 Baby Boomers turn 65 every day,¹ Prudential's research shows that many haven't prepared well for their next stage of life. Almost 60% of American employees who are eligible to participate in their employer-sponsored retirement plans don't believe they will ever be able to save enough for a comfortable retirement. Even Millennials, the youngest generation in the workplace – aged 21 to 29 – worry about their financial future. A quarter of them feel they will be over 70 by the time they can realistically expect to stop working.

It's not that Americans don't view retirement planning as a priority. Nearly 90% feel that contributing to one's retirement savings is a must, even in economic recessions. This is pervasive across American workers – among Millennials, 84% share that belief.² Across age cohorts, American workers face a gap between what their belief in the importance to save for retirement is and their actual ability to do so.



Millennials who feel they will be over 70 by the time they can realistically expect to stop working



Americans who don't believe that they can save enough for retirements



Americans who feel that contributing to one's retirement savings is a must

¹ Mayo Clinic, Robert and Arlene Kogod Center on Aging, January 1, 2011, http://mayoresearch.mayo.edu/aging_center/aging_demographics.cfm.

² Prudential Retirement Engagement Research, August 2012.

Motivation is the answer

So why is there such a gap between attitude and action? Based on research representing hundreds of American employees eligible for employer-sponsored retirement plans,³ Prudential discovered that the answer lies in an area of science that has been largely overlooked by the industry. This area of science provides an understanding of both the depth and the quality of motivation for truly engaging people (and keeping them engaged) with retirement planning and savings. Insight into this motivation will help employers to inspire and lead people to save for their future.

Understanding motivation in detail is important because it fuels action in everything we do, even areas – such as saving or having a physically healthy lifestyle – that often require deeper commitment. We all know that health

is important, yet it's often not easy to change existing habits. Behavioral motivational theory demonstrates that such changes are possible and can be long-lasting. These changes are optimally sustained when certain motivational conditions are present, including when:

- **People genuinely value the goal to which they aspire, at a personal level;**
- **People internalize the reasons for which they pursue that goal and start acting to achieve values for their own sake and right (vs. taking action due to feeling “pressure” or feeling guilt/obligation);**
- **People genuinely enjoy the pursuit of the goal, such as feeling closely connected to others during the process or discovering interesting new opportunities to grow and take pleasure in life.**

ATTITUDE AND ACTION

³ Mayo Clinic, Robert and Arlene Kogod Center on Aging, January 1, 2011, http://mayoresearch.mayo.edu/aging_center/aging_demographics.cfm.

The Prudential Lifetime Saver Commitment Profile

Prudential Retirement is introducing the Lifetime Saver Commitment Profile, which captures these important dimensions of motivation and applies them to retirement savings. Based on research with hundreds of U.S. employees eligible for their employer's retirement plans, Prudential presents a behavioral approach to better support employees' motivation and ability to save for their retirement, regardless of their age, gender, employment, or other individual differences. The Lifetime Saver Commitment Profile is a scientific index that captures individuals' quality of motivation, engagement, and satisfaction with savings and retirement planning over time. The Profile helps employers understand what motivates people to take charge of their financial future and further assists in customizing communication and education strategies.

How does it work? The Prudential Lifetime Saver Commitment Profile begins by establishing a baseline for motivation to save and plan for retirement. Higher values on the Profile index indicate deeper levels of motivation quality.

Based on how people answer questions related to their motivation, statistical analyses help craft messages and interventions that are individualized and optimally helpful. One example is the ability to categorize on this global index that has meaningful implications for understanding and improving commitment to lifetime savings (see Figure 2):

- **LESS MOTIVATED, 0 to 49;**
- **MODERATELY MOTIVATED, 50 to 74;**
- **HIGHLY MOTIVATED, 75 to 100;**

The results show (Figure 1) that most employees in America are moderately motivated to save for retirement. Only one in 10 (13%) of employees eligible to participate in their employer-sponsored retirement plans are highly motivated, with motivation naturally increasing as employees get closer to retirement age (Figure 2).

Figure 1: The Lifetime Commitment Saver Continuum.

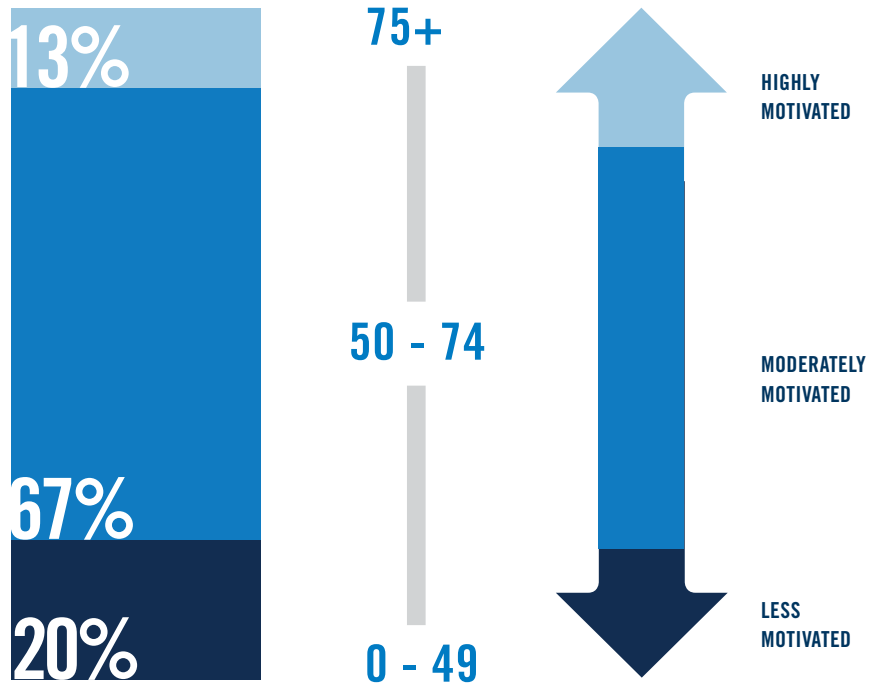
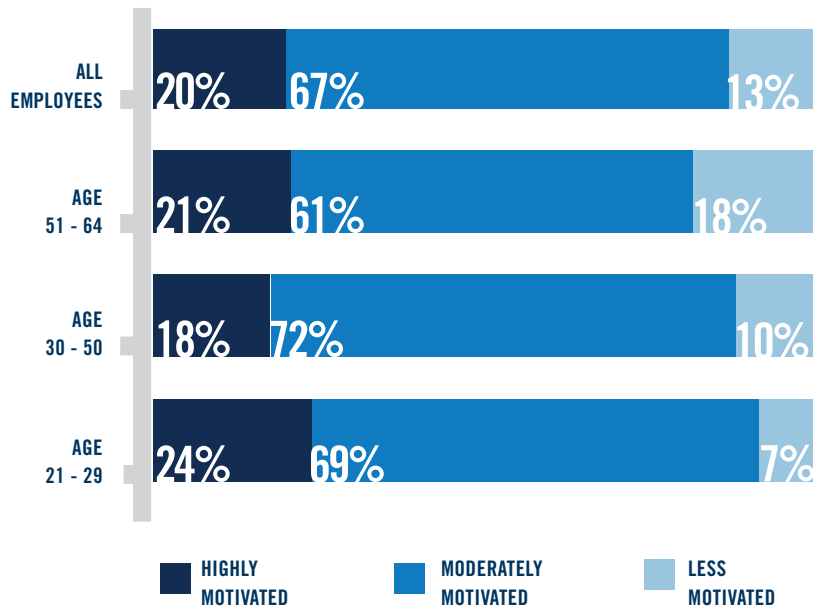


Figure 2: Motivation increases with age.



The highly motivated: What sets them apart?

How are these three types of employees different from each other, and how does this profile meaningfully help employers and employees to improve savings commitment? There are many ways to view these differences that Prudential’s research will highlight in future publications. Demographically, Prudential’s research reveals that those in the highly motivated group stand out from other segments in several notable ways. This relatively small group of

employees who are highly motivated to save for retirement includes

- A higher proportion of women,
- Older employees, and
- More highly educated people who have been in the workforce a long time. **Figure 3 (below) summarizes some of the differences between the highly motivated savers, and those displaying lower motivation (e.g., those in the “less” and “moderately” motivated groups).**

Figure 3: Those highly motivated look different and save more.

DEMOGRAPHIC PROFILE	LOWER MOTIVATION TO SAVE ⁴	HIGHEST MOTIVATION TO SAVE
Percent female	49%	57%
Investable assets (median)	\$38,000	\$175,000
Household debt excluding mortgage (median)	\$8,000	\$0
Age (median)	42	50
Income (median)	\$63,000	\$88,000
Years in workforce (median)	18	25
Household mortgage (median)	\$38,000	\$13,000

⁴ The group of people with a lower motivation to save includes those less and moderately motivated.

Higher lifetime saver motivation equals higher savings

Higher values for the Lifetime Saver Commitment Profile are related to a more proactive approach to retirement planning and significantly larger savings. Almost all in the high motivation group (95%) are proud of what they have put away to date, and plan to continue making contributions: Forty percent expect to contribute between \$2,500 and \$9,999 in 2012, and 36% anticipate contributing over \$10,000. This rate of savings is important since the majority (57%) feel they will need to save \$500,000 or more by the time they retire.

People who are highly motivated also hold significantly more money in their employer-sponsored plan on average

than others do (Figure 4). Most of this highly motivated group (69%) reviews their retirement account at least once a month. Contrast this with less motivated employees: Only 40% review their retirement accounts at least monthly. Overall, those with a lower motivation to save are much less likely to save (58%) as compared to those with the highest motivation to save (80%). Given this strong relationship between lifetime saver motivation and real retirement savings and readiness, clearly there is an exciting opportunity for employers to focus on improving employee motivation.

Figure 4: The highly motivated save more and are more engaged with their retirement planning.

RETIREMENT SAVINGS PROFILE	LOWER MOTIVATION TO SAVE ⁵	HIGHEST MOTIVATION TO SAVE
2012 retirement savings outside of employer-sponsored plan (median)	\$1,750	\$7,500
Current account value of employee-sponsored plan (median)	\$37,500	\$62,500
Percent who have taken action to meet retirement saving goals	60%	90%
Percent who review retirement savings at least monthly	40%	69%

⁵ The group of people with a lower motivation to save includes those less and moderately motivated.

Employer guidance matters

While it is certainly no surprise that wealthier people can save more for retirement, Prudential's Lifetime Saver Commitment Profile begins to take a deeper, scientific look at how employers can help individuals effect real and lasting change. It unearths that employer actions can motivate people to save for retirement above and beyond their demographic profile alone. When asked to grade their employers' retirement plans, only 6% of the highly motivated give their plan a "C," assessing their plan as "sub-par." By contrast, more than three times that number amongst the lower motivated group (21%) give their plan a grade of C or lower. In addition, the highly

motivated group describes their employers' retirement plans very differently from the way in which those with a lower motivation to save do – regardless of gender, age, income, assets, and debt (see Figure 5).

These descriptions offer concrete ways for employers to help motivate their employees to take action in saving for retirement:

- 1 Keep employees engaged**
- 2 Remove barriers**
- 3 Make it easy**

Figure 5: The highly motivated credit employer help.

HOW EMPLOYER DESCRIPTIONS DIFFER BY MOTIVATION	LOWER MOTIVATION TO SAVE ⁶	HIGHEST MOTIVATION TO SAVE
Keep employees engaged: Percent agreeing their retirement plan...		
Helps keep me focused on retirement savings	69%	89%
Makes effort to keep me thinking about savings for retirement	74%	88%
Is critical to achieving my retirement goals	75%	94%
Remove Barriers: Percent agreeing their retirement plan is...		
Intimidating	49%	20%
Complicated	54%	22%
Risky	39%	21%
Make it easy: Percent agreeing their retirement plan...		
Has investment choices that are easy to understand	69%	92%
Makes me feel comfortable to ask questions	69%	89%

⁶ The group of people with a lower motivation to save includes those less and moderately motivated.

Employer actions to consider

Action 1: Keeping Employees Engaged

Helping employees engage and stay engaged with their retirement savings is the most important way employers can motivate them to contribute more to their employer-sponsored plan. Employers can assist employees to deepen savings commitment by helping make savings behavior more personally rewarding. This can include enabling employees to understand the close ties between savings and the deeply satisfying goals that savings can unlock in the future. Such rewarding goals might include the satisfaction of more meaningful time with significant others, greater opportunities and freedom to pursue meaningful interests, and personal growth obtained by reaching certain savings goals.

Action 2: Removing Barriers

Employers can also take action to build up people's confidence levels with retirement planning by reducing the degree to which participants feel overwhelmed or intimidated by

retirement, as well as perceptions of complexity and risk associated with retirement plans. What would work? The Prudential survey shows that employees feel personally relevant solutions that take into account their individual financial lives and needs – solutions that are focused on what they individually value – would motivate them to save more.

Action 3: Making it Easy

Employers can also help people see how fundamentally important their plan is in helping them meet their retirement goals by making it accessible and easy to understand. Live webcasts where employees can become involved and ask questions would also help motivate them to save. With 39% of the lower motivated group wanting more guidance on how to save for retirement, there are opportunities for employers to help them by simplifying plans and providing more customized, interactive solutions.

ENGAGEMENT CONFIDENCE SIMPLICITY

Turning Employees Into Lifetime Savers

**Closing the gap
between beliefs
and actions:
Understanding
motivation opens
the door to
effective solutions**

Employers who set out to help their employees become lifetime savers do not face a daunting task; Prudential's research shows that the majority of employees score as moderately motivated to plan for their retirement. The key is to meet participants where they are motivationally; giving them the tools and support they need to build true lifetime commitment. Enabled by tools and services based on behavioral principles that focus on motivation and engagement, any employer actions will bring the missing elements to the employee relationship and enable

employees to take actions themselves – thus empowering them and closing the gap between the understanding that saving is important and taking real and lasting actions to do so.

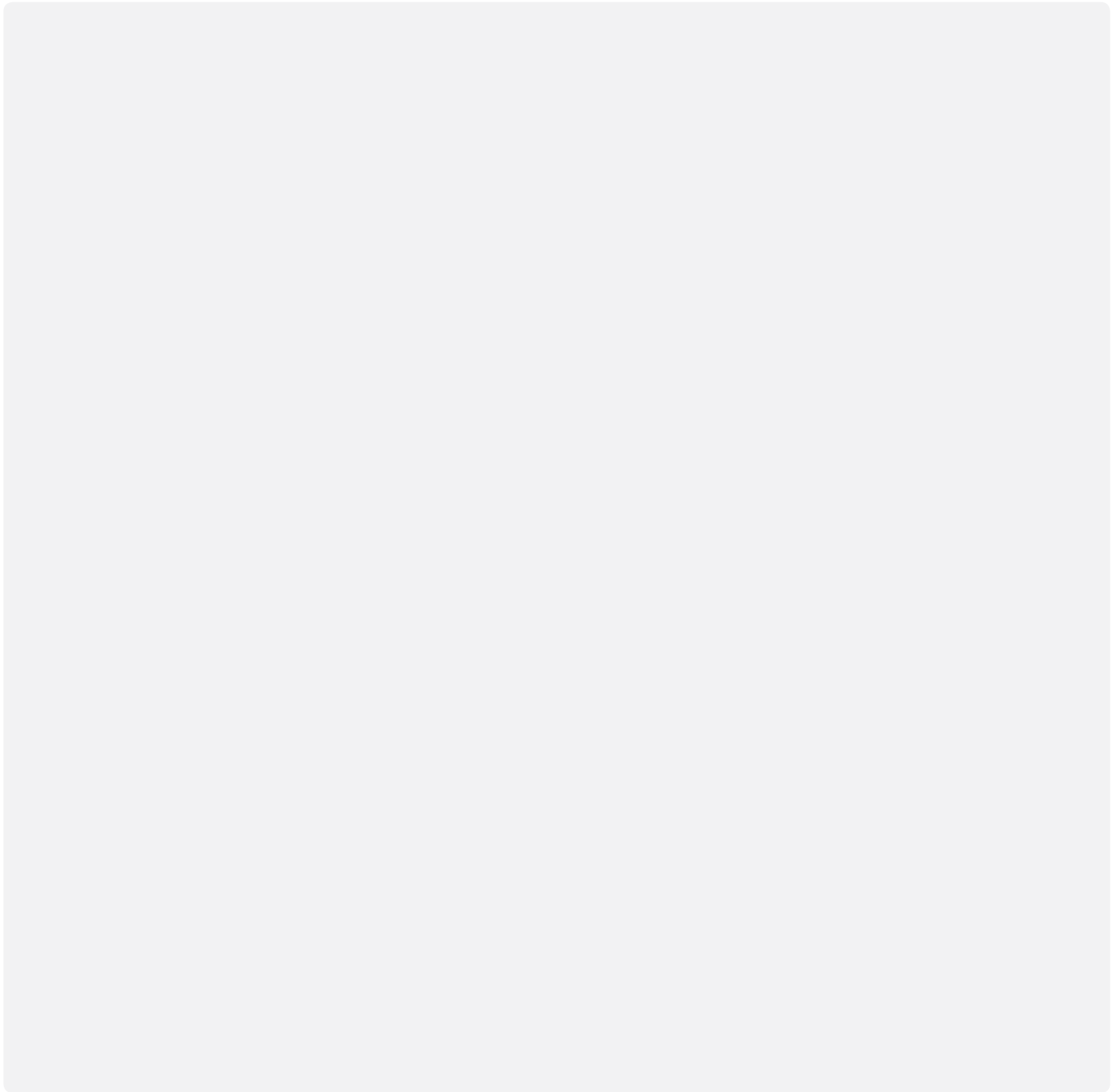
A BEHAVIORAL APPROACH

About The Survey

The Prudential Lifetime Saver Commitment Profile is based on an online survey of 690 employees between the ages of 21 and 64 who are eligible for their employer-sponsored retirement plan. The survey was conducted in the summer of 2012 by Northstar Research Partners, an independent, third-party firm not affiliated with Prudential, without identifying Prudential as the sponsor. Results of the survey reflect what

would be true for the entire U.S. population of employees aged 21 to 64 eligible to contribute to their employer-sponsored retirement account, with a margin of error of plus or minus 2.7%.

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